

THU 24 NOVEMBER 2022 07:32

# Daily FX Report

## EUR / USD

The French PMI manufacturing index beat consensus forecasts, but the services-sector data was weaker than expected with both in contraction territory. The German manufacturing and services indices were both slightly stronger than expected, but also remained firmly in contraction territory.

The Euro-Zone PMI manufacturing index recovered to a 2-month high of 47.3 for November from 46.4 previously and above consensus forecasts of 46.0. The services index was unchanged at 48.6 and slightly stronger than market expectations. Overall business sentiment has remained in contraction territory for five months and overall business confidence remained very fragile, but with some relief over the data. There was an easing in supply-chain pressures while inflation pressures moderated.

The Bundesbank warned that inflation could stay in double digits into next year and the Euro found support close to 1.0300 level and edged higher into the US open.

According to flash data, the US PMI manufacturing index declined to a 30-month low of 47.6 for November from 50.4 previously and below consensus forecasts of 50.0. The services-sector index also retreated to a 3-month low of 46.1 from 47.8 and below expectations of 47.9. Excluding the initial pandemic period, there was the sharpest decline in new orders since 2009. There was a significant easing of inflation pressures with output prices increasing at the slowest rate for just over two years.

The dollar posted further sharp losses in global markets after the PMI data with the Euro securing fresh gains.

The Euro advanced to highs near 1.0400 and extended the gains after the Fed minutes. The dollar remained on the defensive on Thursday with the Euro around 1.0435 and close to 4-month highs. Trading volumes will be low due to Thursday's Thanksgiving holiday which will increase the risk of choppy trading conditions.

## JPY

The dollar initially posted highs around 141.60 against the yen in early Europe on Wednesday, but then retreated steadily and losses accelerated around the New York open. US initial jobless claims increased to 240,000 for the latest week from a revised 223,000 previously and above consensus forecasts of 225,000 while continuing claims increased to 1.55mn from 1.51mn. Durable goods orders increased 1.0% for October and above expectations of 0.5% while underlying orders increased 0.5%.

US Treasuries posted solid gains after the US PMI data with the 10-year yield retreating to around 3.72% and the dollar posted further sharp losses to below 140.00.

Minutes from November's Federal Reserve meeting recorded that a substantial majority of policymakers agreed that it would likely be appropriate to slow the pace of rate hikes soon. Some members also expressed concerns over the risk to financial stability if the central bank pushed ahead with strong rate increases.

Although there were concerns over inflation trends, markets considered the overall tone slightly more dovish than expected. Overall risk appetite held firm in Asia despite fresh reservations over Chinese coronavirus developments as daily cases hit a record high. The dollar retreated to lows near 138.60 and rallies faded quickly.

## GBP

According to the flash data, the UK PMI manufacturing index was unchanged at 46.2 for November and above consensus forecasts of 45.7 while the services-sector index was also unchanged at 48.8 and above expectations of 48.0. Overall business confidence recovered slightly amid an easing of political uncertainty, but it was still the second-weakest reading on record with notable pessimism in the manufacturing sector. Input prices continued to increase strongly, but output prices increased at the slowest rate since August 2021 due to weak demand conditions. The data overall provided some relief given fears that there would be a further and sharper downturn.

The UK Supreme Court ruled that the Scottish Parliament did not have the authority to hold a second independence referendum without the approval of the Westminster government. Although the long-term situation remains unresolved, there is no real prospect that SNP plans for a referendum next year will go ahead which provided an element of Sterling relief. The Euro retreated to 3-week lows below 0.8600 before regaining some territory.

Sterling secured a net advance and gains accelerated after the New York open, especially after the US data with short covering kicking in on a break above the 1.2000 level. Risk appetite held firm on Thursday with Sterling hitting 3-month highs at 1.2100 before a slight correction while the Euro edged higher to 0.8630.

## CHF

The Swiss franc secured net gains on Wednesday with lower US bond yields providing net support while speculation over a global recession also increased after the US data which limited any scope for franc selling. The Euro retreated to below the 0.9800 level while the dollar recorded sharp losses to near 0.9420.

The Euro stabilised just above 0.9800 on Thursday with the US currency dipping below the 0.9400 level amid wider selling interest in the US currency.

# Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0565	140.00	1.2265
Resistance 2	1.0500	139.40	1.2200
Resistance 1	1.0435	138.80	1.2135
	1.0430	138.65	1.2085
Support 1	1.0375	138.20	1.2070
Support 2	1.0300	137.50	1.2000
Support 3	1.0230	137.00	1.1940

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## Risk warning

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